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FM AMEMBASSY ASUNCION
TO RUEHC/SECSTATE WASHDC 3973
INFO RUCNMR/MERCOSUR COLLECTIVE
RUEHNR/AMEMBASSY NAIROBI 0175
RHEHNSC/WHITE HOUSE NSC WASHDC
RUMIAAA/USCINCSO MIAMI FL//SCJ5//
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEAIIA/CIA WASHDC

UNCLAS ASUNCION 000295

SIPDIS

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STATE FOR WHA/BSC AND EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [PINR](#) [KCRM](#) [PA](#)

SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, MARCH
11-17, 2006

REF: ASUNCION 0270

1. (U) Summary:

- 500 Kilograms of Ephedrine Transited Through Paraguay
- Peasant Protest Against Government
- CDE Blockade Raises Tensions, Part 2

500 Kilograms of Ephedrine Transited Through Paraguay

2. (U) On 3/15 Customs Director Margarita Diaz de Vivar reported that 500 kilograms (1102 lbs) of ephedrine, a chemical compound used in the production of the hallucinogenic drug ecstasy, had transited through Paraguay. Vivar said the merchandise had entered Paraguay marked as "vitamin C" with forged documents and was eventually shipped to Canada. Several Health Ministry and Customs employees were involved in the importation and exportation of the ephedrine. In November 2005, the same group of traffickers sent a 10 ton shipment of "soy protein" to Canada, which was most likely another shipment of ephedrine. DEA reports that 500 kilogram (1102 lb) shipments of ephedrine are being bought in India and transited through Paraguay to Canada. Alicia Fernandez, a Paraguayan woman, has been arrested in connection with the case. She is married to an Iranian-born naturalized Canadian citizen.

Peasant Protest Against Government

3. (U) On 3/15 the National Peasant's Federation (FNC) mobilized some 10,000 peasant to protest in downtown Asuncion. FNC Secretary General Odilon Espinola stated that their main complaints were that President Duarte's economic policies favored a small group of oligarchs over the masses of the poor, and that the vast majority of the productive land in the country is in the hands of just 1% of the population. The FNC peasant group was joined by large numbers of students as well as members of the National Federation of Medical Workers (FNTS).

CDE Blockade Raises Tensions, Part 2

¶4. (U) On 3/13 a temporary lull in the blockade of the Friendship Bridge in the Ciudad Del Este (CDE), which had begun on 3/10, ended with the resumption of protests. The Friendship Bridge connects the CDE in Paraguay with the Brazilian city Foz de Iguazu. The protest is in response to the declaration on 3/6 by Brazilian authorities that all merchandise that could be considered for commercial purposes could only enter Brazil via international cargo companies. Thousands of independent taxi, bus, and motorcycle drivers make their living transporting goods from one city to the other. Trade came to a standstill for the second time on 3/13, reducing by over 80%, when Brazilian officials closed the bridge to vehicular traffic.

¶5. Holding true to warnings made last week, Brazilian authorities have begun confiscating taxis caught attempting to take goods across the border. On 3/16 confrontations between Brazilian federal police officers and protestors on the Brazilian side of the border occurred, culminating in the use of force by the officers. In response to the crackdown, authorities in CDE are vowing to clampdown on Brazilians illegally present in the border city. (see ref. A)

¶6. (U) Paraguayan Minister of the Interior Rogelio Benitez Vargas, along with representatives of the Ministry of Foreign Affairs, met with municipal and business leaders in CDE on 3/16, and assured them that the GOP would take a strong position in defense of local businesses. A one-day strike, including the closing of the bridge, will begin at six a.m.

on 3/20. According to an Embassy contact present at the 3/16 meeting in CDE, the assembly was told that FM Rachid, accompanied by city and departmental representatives, will meet with Brazilian FM Amorim in Brasilia to discuss the situation on 3/21.

CASON